

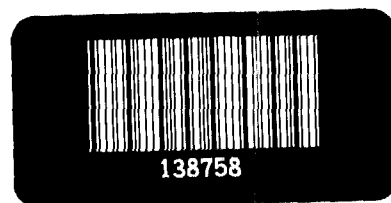
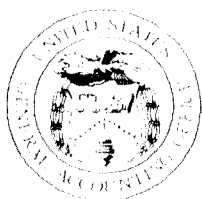
GAO

Report to the Honorable  
Orrin G. Hatch, U.S. Senate, and the  
Honorable Larry E. Craig, House of  
Representatives

May 1989

# UNCLAIMED MONEY

## Proposals for Transferring Unclaimed Funds to States



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United States  
General Accounting Office  
Washington, D.C. 20548

Accounting and Financial  
Management Division

B-221557

May 9, 1989

The Honorable Orrin G. Hatch  
United States Senate

The Honorable Larry E. Craig  
House of Representatives

This report provides information on proposed legislation that would require the federal government to transfer certain unclaimed moneys to the states. As requested, we collected information on unclaimed amounts held by selected agencies, reviewed their policies and procedures for locating owners, and assessed the impact that the proposed legislation would have on existing laws.

We found that agencies pay most of the amounts owed to individuals. The administrative cost of refunding the remaining amounts, combined with the actual amounts to be transferred to the states, would adversely affect the federal deficit. Also, the bill would supersede many laws that expressly prohibit transferring unclaimed funds to states.

We are sending copies of the report to the Directors of the Office of Management and Budget and the Office of Personnel Management; the Secretaries of the Department of Housing and Urban Development and the Department of the Treasury; the Administrator of General Services; and the Postmaster General.

Frederick D. Wolf  
Assistant Comptroller General

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# Executive Summary

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## Purpose

Federal agencies hold hundreds of millions of dollars that individuals have never claimed. With certain exceptions, proposed legislation introduced by Senator Orrin G. Hatch and Representative Larry E. Craig would require that federal agencies turn over to the states any amounts agencies cannot return to owners.

As requested, GAO is providing information to these Congressmen to assist them in assessing the impact of the bills. GAO identified existing laws that address unclaimed funds and assessed the effect that the bills would have on those statutes and the federal budget. For selected agencies, it provided data on amounts owed, described the agencies' capabilities to identify and locate individual owners, and outlined agency procedures and efforts to do so.

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## Background

The reasons for the buildup of funds owed include owner abandonment, death, or incomplete or lost records which result in owners or heirs forgetting about or not being aware of assets. The basis for state claims is that, under established legal principles, unclaimed property reverts to the state where records show the owner last lived, i.e., state escheat. Certain federal laws were adopted to preempt such transfers.

H.R. 4298 and S. 1612, similar bills referred to as the Unclaimed Property Act, were introduced but not considered during the 100th Congress. Passage of this legislation would have removed legal barriers to transfers to the states of items such as income tax refunds, postal service money orders, savings bonds, and amounts held in the Civil Service Retirement Fund which had not been cashed, redeemed, or otherwise claimed. As introduced, their provisions would have been retroactive to the 5-year period preceding enactment.

The bills, which expired at the end of the 100th Congress, contemplated a large role for GAO, including reviewing agency records annually to identify and report unclaimed property that would be subject to transfer to each state. GAO would also have had to prescribe regulations under which agencies would transfer unclaimed property to the General Services Administration (GSA) which would have been responsible for managing disposition. The bill may be reintroduced during the 101st Congress.

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## Results in Brief

Such an initiative, if adopted, would supersede many laws that expressly prohibit transferring unclaimed funds to states. GAO reported

that several hundred million dollars might be transferred during the first 5 years after enactment. It noted that all federally held funds including individuals' investments in saving bonds, amounts held in trust funds, as well as amounts payable with appropriated funds would be subject to escheat. These outlays would add pressure to the existing federal deficit. Also, because their implementation would create additional administrative costs, fewer net federal resources would be available for federal programs as well as for state programs wholly or partially financed by federal grants.

GAO found that agencies pay the vast majority of amounts owed to individuals and that considerably more administrative effort and system upgrades would be needed to refund the remainder.

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## GAO's Analysis

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### Unclaimed Amounts

No central source exists to summarize data on amounts owed to individuals. Treasury regulations instruct agencies to transfer unclaimed amounts from their trust and deposit fund accounts into a Treasury-maintained account annually. Several agencies that had not made any deposits advised GAO that they had not transferred amounts owed because (1) the amounts were in accounts that did not match Treasury's criteria or (2) laws currently require them to transfer unclaimed sums in their programs to the general fund or to retain them within the program or the revolving fund associated with that program.

GAO obtained available statistics from selected agencies and found that they had about \$1.5 billion in matured or otherwise payable claims for the 5-year period ending with fiscal year 1987, the most recent data at the time of GAO's review. The agencies reviewed considered relatively little of this amount as unclaimed because, for most of the claims, no time limits exist for payment.

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### Money That May Never Be Returned

Agency accounting systems and data are not adequate to identify owners of all unclaimed funds. GAO found that automation varied from the Office of Personnel Management's (OPM) 35,000 file cabinets of federal retirement records to the Department of Housing and Urban Development's (HUD) modern system which allowed it to identify and track unpaid mortgage insurance refunds. In contrast, OPM did not know how

much in federal payroll deductions for retirement had not been claimed or to whom amounts were owed.

Information gaps exist. For example, the U.S. Postal Service does not obtain names or addresses of buyers or intended recipients of domestic money orders. Also, the Bureau of the Public Debt does not have social security numbers or current addresses for owners of currently maturing U.S. Savings Bonds that were issued 30 to 50 years ago. The Bureau has social security numbers for bond sales starting in 1974, but it did not start including them on an automated system until 1984.

Unless owners claim amounts deducted for retirement benefits and present items like uncashed money orders and matured unredeemed bonds for payment, the chances of returning amounts that are still outstanding are low. Agency initiatives to locate owners would be very time-consuming and expensive without social security numbers to afford access to more current addresses in automated data bases maintained by the Internal Revenue Service (IRS), the Department of Veterans Affairs (VA), or the Social Security Administration (SSA).

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## Efforts to Locate Owners

Agencies have recently focused more effort on trying to return unclaimed funds. GAO found that several agencies had established procedures for finding and returning amounts owed. Others considered such initiatives too costly, or they had simply expended little effort under the rationale that the property remains available to be claimed without time limits.

GAO found relatively strong initiatives at HUD and IRS. They were actively seeking current addresses for identified owners. HUD said that, as of the end of fiscal year 1988, it had paid 92 percent of mortgage insurance refunds which became due during fiscal year 1987. IRS had a system that would automatically identify undelivered income tax refunds for those who filed another tax return within 3 years after IRS determined that a refund was owed.

Treasury's Bureau of the Public Debt had made some effort to pay owners of matured, unredeemed savings bonds. At the other end of the spectrum, OPM was not trying to locate owners of unclaimed money. Unless individuals applied for amounts withheld, OPM would not know a valid claim existed.

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**Effect on Existing Laws**

Many laws specifically state that unclaimed moneys are to revert to the federal government, or are not to escheat to states. At least 20 statutes would be overridden if such legislation were reintroduced and adopted. As an example, federal income tax legislation currently prohibits refunds if such sums would escheat to a state or pass into state possession under state unclaimed property laws.

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**Coverage Issues**

GAO said that applying such an initiative governmentwide could inhibit the Congress' flexibility to recognize and protect federal property interests within individual agencies. In particular, GAO referred to amounts appropriated by the Congress to carry out specific program objectives. It also noted amounts held in trust funds or other fiduciary accounts for the benefit of a defined class of beneficiaries who, collectively, had paid into those accounts with the expectation that those funds would be available exclusively for a particular purpose.

On another matter, GAO learned that sponsors of the bill envisioned that DOD, VA, and SSA would be exempt from coverage. GAO noted, however, that the bill as written would not accomplish the sponsors' intent.

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**Agency Roles**

It would be appropriate to make an executive branch agency, not GAO, responsible for identifying and reporting unclaimed property and prescribing regulations under which agencies would transfer assets to GSA. GAO also does not believe that GSA should be the depository for unclaimed amounts and be charged with transferring sums to each state. Currently, each agency handles disposition of its own claims, and it would probably be less administratively burdensome to have states deal directly with agencies if such an initiative were adopted. If the federal government were required to centrally administer certain aspects of this initiative, Treasury would appear to be a reasonable candidate. It is responsible for central accounting and reporting activities and has already established procedures and handles the central recordkeeping system for unclaimed amounts agencies transfer from selected deposit and trust fund accounts.

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**Cost**

Administrative costs could be considerable. Those costs combined with the millions of dollars that would be transferred to the states would add to existing federal budget pressures.

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Regardless of how much would ultimately be transferred to states, many agencies need better information systems to identify unclaimed amounts and locate owners. Passage of the bill would require system features to identify which state received each unpaid claim so that federal payments to claimants made after amounts are transferred can be recovered from the appropriate state. This would prevent the federal government from having to pay a claim twice—once during the escheat process and again if the individual is subsequently identified and found.

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## Recommendations

GAO is not making recommendations in this report.

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## Agency Comments

The six agencies (Office of Management and Budget, Treasury, HUD, OPM, GSA, and the Postal Service) from which GAO requested official comments agreed with information presented in this report. Four said that the subject bills would increase administrative burdens and strongly opposed any transfers of unclaimed money to the states. Treasury did not agree that it would be the most logical agency to centrally administer such an initiative. GAO did not advocate any central role. It said that if such a bill were adopted and if it called for central federal administration, Treasury would probably be the best choice.





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**Abbreviations**

DOD	Department of Defense
FHA	Federal Housing Administration
FMS	Financial Management Service
GAO	General Accounting Office
GSA	General Services Administration
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SSA	Social Security Administration
USPS	U.S. Postal Service
VA	Department of Veterans Affairs (formerly Veterans Administration)

# Introduction

The federal government holds unclaimed property amounting to hundreds of millions of dollars. Among the reasons are owner abandonment; loss or misplacement; death; and poor owner records resulting in owners or heirs not being aware of or forgetting about the assets. These assets can be tangible property, such as furniture, clothing, jewelry, and equipment, or what the proposed legislation referred to as intangible items that have a monetary value, such as uncashed money orders and checks, matured but not redeemed bonds, and retirement contributions.

In general, the agencies that administer the programs that gave rise to the unclaimed property have some responsibility for finding the owners and returning to them the property or amounts due. Under GSA regulations, if agency officials are unable to locate owners and return unclaimed tangible property to them, such property remains in the possession of the relevant federal agency, which in accordance with prescribed procedures, may dispose of the property. Agencies are required to transfer the value of intangible property to a trust fund, via accounting entries, if they have not been able to return it for at least 1 year. The trust fund is maintained by Treasury's Financial Management Service.

In either case, the proceeds from the ensuing sale of tangible property or the value of the intangible monetary property is held in the Department of the Treasury-established trust fund in the absence of other statutory provisions. Agencies disburse from that account if they subsequently locate owners.

## Reverting of Property to States: The Concept and Its Origin

Escheat has historically been considered a state prerogative. The concept of escheat was developed in the common law with the basic premise that property which remains without an owner reverts to the sovereign, or in this case, the state where existing records show the owner last lived. However, the federal government may also have sovereign status. In the case of claims arising from federal programs, the federal government is often the source of the money. It generally created the program or fund from which the owner's claim arose and appropriated the operating cash. Therefore, in those instances, it has a strong interest in retaining those funds. This philosophy is embodied in a number of legislative provisions that explicitly preempt state escheat laws.

As a rule, states have been active in seeking possession of federally-held unclaimed amounts by enacting laws governing the reversion of such claims to state treasuries. In addition, two states, Kentucky and New

York, have filed suit seeking to escheat to themselves undelivered federal tax refunds. In the New York case, a state court ruled that the state could not obtain undelivered refunds arising after 1987 when the Congress enacted legislation to preclude state escheat of such moneys. However, it held that New York could obtain undelivered refunds payable to New York residents for the period preceding the effective date of the federal statute. The Kentucky case was dismissed by a federal court.

Recently, the attorneys general for seven states (Arizona, Delaware, Illinois, Kansas, Kentucky, Pennsylvania, and Rhode Island) filed a suit in the U.S. District Court for the District of Columbia naming as defendants the Secretary of the Treasury and the Comptroller General. The suit petitions for a distribution to the states of certain unclaimed funds that agencies have already transferred or should transfer to a Treasury account for unclaimed moneys.

## Proposed Legislation

Several bills have been introduced to facilitate states' access to unclaimed monies in the possession of federal agencies. Most recently, in March 1988, Representative Larry E. Craig introduced H.R. 4298, the Unclaimed Property Act of 1988. A similar bill, S. 1612, the Unclaimed Property Act of 1987, was introduced by Senator Orrin G. Hatch in August 1987. (Throughout the remainder of this report, we will refer to these proposals as the "bill.") Although these bills expired at the end of the 100th Congress without any active consideration, it is likely that such proposals will be introduced during the 101st Congress.

Similar legislation, S. 1780 and H.R. 3893, was introduced in October 1985 and December 1985. We have provided our views on those bills to the House Committee on Government Operations and the Senate Committee on Governmental Affairs.<sup>1</sup>

As proposed, H.R. 4298 and S. 1612 defined unclaimed property as any intangible property which has remained unclaimed or not returned to owners for up to 5 years immediately preceding the effective date of the

<sup>1</sup>B-221557.2 (February 20, 1986) and B-221557 (February 24, 1986).

Act.<sup>2</sup> We interpret this as meaning that amounts remaining unpaid for more than 5 years at the time such legislation was adopted would not be subject to the bill. For the more recent amounts, agencies would have up to 5 years after amounts became payable to locate and repay the owners. The amounts still owed would be subject to the bill's provisions and state escheat after the fifth year. This retroactive feature would allow some funds to be escheated the year after the bill was adopted, as opposed to having to wait at least 5 years before any unclaimed amount would be eligible for transfer.

Items meeting the definition of unclaimed property under the bill would include amounts due from such sources as income tax refunds, postal money orders, savings bonds, and payments made to the Civil Service Retirement Fund which have never been cashed, redeemed, or otherwise claimed. With regard to uncashed, unreturned U.S. Government checks that Treasury issues on behalf of federal agencies for vendor payments, we note that recently adopted legislation (Public Law 100-86) limits the negotiable period for a Treasury-issued check to 1 year, starting with fiscal year 1990. At that time, agencies will start receiving data from Treasury's modified check control system which will allow them to identify individual uncashed checks that have been outstanding for at least 1 year, establish them as unclaimed property, follow up to attempt to determine why the check was not cashed, and issue a replacement check if appropriate.

The proposed legislation would allow the states to escheat amounts held by federal agencies. As described in more detail in chapter 2, the bill would require the GAO to annually examine all records to identify amounts held by each federal agency that would be subject to escheat. GAO would also be required to prepare informational reports to each state on the unpaid claims discovered. Further, GAO would be required to prescribe the regulations under which amounts held by federal agencies

<sup>2</sup>H.R. 4298 and S. 1612 define the term "unclaimed property" as "any intangible personal property, including, but not limited to, money, liquidated obligations, choses in action, accounts, entrusted funds, deposits, evidences of debt or instruments held by any Federal agency, officer or employee thereof (except bonuses, gratuities, and sums held by the Social Security Administration), which has remained unclaimed by the owner or the heirs, successors, or assigns of the owner for five years—

—from the date of maturity or call for payment, if arising from a transaction under the public debt;

—after the last transaction concerning principal or interest, if deposits are in the postal savings system; or

—after the property first became payable, demandable, or returnable, if arising from any other transaction."

would be transferred to GSA. GSA would retain custody of the property pending disposition to owners or the states as provided for by the subject bill. On demand by the authorized state officer, GSA would release the funds to the state. The state would then have exclusive possession of the money and be authorized to administer it pursuant to its own unclaimed property or escheat laws subject to the proviso that it refund to the federal government any amounts subsequently claimed and refunded to owners by federal agencies.

## Objectives, Scope, and Methodology

In separate March and May 1988 letters, Senator Orrin G. Hatch and Representative Larry E. Craig asked that we obtain information regarding unclaimed amounts that federal agencies were holding so that their offices could assess the impact of proposed legislation to transfer such funds to the states. Our assessment covered intangible property held by selected agencies which became due and payable during fiscal years 1983 through 1987, and which had not been paid as of September 30, 1987, the most current period for which information was available at the time of our review.

Our specific objectives were to (1) secure information from selected agencies on the type and dollar value of unclaimed funds held and about the systems they use to control and account for such funds, (2) review the agencies' current policies, procedures, and practices relating to such property, including assessing whether they were making progress in identifying and locating owners and returning the amounts due, (3) determine the feasibility and efforts associated with identifying amounts held, and (4) analyze existing federal laws addressing such claims and determine the potential effect the proposed legislation would have on current federal statutes.

We contacted cognizant officials of the major departments and agencies to identify programs that would by their nature result in claims upon unclaimed intangible property. We judgmentally selected the following agencies based on our assessment of existing agency programs which we considered likely to hold substantial amounts of unclaimed money.

- U.S. Postal Service
- Office of Personnel Management
- Department of the Treasury
  - Bureau of the Public Debt
  - Internal Revenue Service
  - Financial Management Service
- Department of Housing and Urban Development

We interviewed agency officials and obtained documentation on the systems used to control the property as well as the best available data on the dollar amounts in their possession. Where data were unavailable, we obtained agencies' estimates of the amounts which became due and payable between October 1, 1982, and September 30, 1987, and which they still held as of the end of fiscal year 1987, as well as cumulative statistics as of the close of fiscal or calendar year 1987.

We also obtained those agencies' available estimates regarding their costs in order to identify unclaimed amounts that would be covered by the proposed bill. We did not, however, examine the agencies' basis for those estimates and accordingly, do not comment on whether those amounts reflect reasonable sums that would likely be incurred in implementing the bill.

We identified agencies' current policies and procedures that are used to identify such claims, locate owners, and pay sums due. We interviewed program managers to determine what steps had been taken to return such property, to identify the level of effort, and to ascertain whether any new initiatives were underway. The scope of our effort did not allow comprehensive evaluations of either the adequacy of those procedures or whether they were consistently followed. We requested and used existing evaluations as appropriate.

We also analyzed existing federal laws that address amounts due in order to identify those which would be affected by the proposed legislation. Finally, we met with officials of the General Services Administration to obtain their views on the role envisioned for that agency by the bill.

We conducted our field work between May and August 1988 at the agencies' headquarters offices in Washington, D.C. Responsible officials from the agencies we reviewed provided written or oral comments on a draft



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of this report, and we have incorporated their comments where appropriate. We performed our work in accordance with generally accepted government auditing standards.

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## Report Organization

The remainder of this report offers a perspective on amounts owed, provides a general overview of what selected agencies are doing to identify and return this money, and provides information to assess the bill and its ramifications.

Chapter 2 discusses the estimated dollar amounts held by the agencies reviewed that would be subject to transfer to the states according to the proposed legislation. It also spells out some of the implementation factors that would necessarily be associated with full scale efforts to identify such property.

Chapter 3 provides information on the efforts that various agencies have made to locate owners and identifies some programs for which efforts have been limited.

Chapter 4 addresses the impact of the proposed legislation on current federal laws and the budget, the administrative problems and cost issues surrounding agencies' compliance with the legislation, and the roles assigned to GAO and GSA.

# Agencies Cannot Identify All Amounts or Owners Owed

By initially reaching back over a 5-year period, the proposed legislation would possibly make several hundred million dollars subject to escheat or transfer to the states over the first 5 years of implementation. However, several factors make it difficult and costly to identify all of this money. There is no central source for this information and individual agencies' data systems either are not automated or contain limited information. These data gaps exist because agencies' primary focus has been on achieving program objectives and only recently has there been increased emphasis on such refunds. In addition, some agencies do not have or cannot readily access the names or other pertinent information needed to determine the whereabouts of potential owners. As a result, the ability to return such funds or even to determine to which states such amounts would be escheated is sharply curtailed.

## Governmentwide Data Is Not Available

The Department of the Treasury has a governmentwide trust fund account—the Payment of Unclaimed Moneys account—to accumulate the value of unclaimed funds. The Treasury Financial Manual directs agencies to analyze their trust and deposit fund accounts quarterly to determine whether they are holding refundable amounts and to take appropriate action to transfer these balances to this Treasury account at least yearly. Treasury officials said this account has existed for at least 15 years.

Although Treasury maintains the summary or governmentwide cumulative balance of this trust fund receipt account, its system does not generate balances for the subsidiary accounts of each agency or agency component. In addition, our contacts with agency officials revealed that detailed account records are not always maintained at the department level if the component bureaus, offices, or subagencies report directly to Treasury. In these cases, the detailed records are maintained by each component, and there are no consolidated agency data available for the total amount deposited to the account.

At the end of fiscal year 1987, the cumulative governmentwide balance of the Payment of Unclaimed Moneys account had climbed to \$70 million. While the trend is clearly upward from the approximate \$30 million balance for fiscal year 1980, the data available at Treasury is not adequate to indicate whether agencies are returning a large percentage of such moneys. This is because an agency's accounting entry is a net figure instead of individual amounts for unpaid claims and offsetting entries for amounts refunded. Although 16 federal agencies and offices

made deposits to this account during 1986 and 1987, many other agencies did not.

Relatively little of the amounts we identified as unclaimed moneys had been transferred to Treasury's Payment of Unclaimed Moneys account. We interviewed the appropriate financial, accounting, and program officials at HUD, OPM, IRS, and the Postal Service, as well as at the Bureau of the Public Debt within Treasury to discuss their programs and treatment of amounts owed to individuals. In general, they told us that they did not consider these amounts to be unclaimed because these moneys are currently payable to the rightful owners upon presentation of a proper claim and without any time limitation. None of these claims had been transferred to the Treasury account. In each case, the agencies had in essence left the amounts involved in the original fund or account for subsequent use in the program involved. For example, IRS officials told us that it returns undeliverable income tax refund checks to the general fund account. HUD officials stated that the Federal Housing Administration's (FHA) Mutual Mortgage Insurance Fund retains all unpaid insurance premium refunds until they are ultimately returned. At OPM, agency officials said that because claims can be filed long after employees leave federal service or die, they retain retirement contributions in the Civil Service Retirement Fund.

## Amounts Owed at Selected Agencies for the 5-Year Period

Because summary or governmentwide data on amounts owed to individuals are not readily available at one source and not all agencies transfer funds for which owners cannot be located to Treasury's Payment of Unclaimed Moneys account, we interviewed the appropriate officials at the agencies or agency components which we identified as potentially having programs with substantial amounts of outstanding payables. These officials provided us with actual or estimated values of property which became due and payable during the period October 1, 1982, through September 30, 1987, and which were still owed as of the end of fiscal year 1987.<sup>1</sup>

When possible, the officials provided the exact dollar amounts of property held at their agencies. Otherwise, they provided estimates based on readily available program data. It was not practical for us to attempt to verify program totals or the reasonableness of estimates provided. Data

<sup>1</sup>The bill applies to intangible property unclaimed in the 5 fiscal years immediately preceding its passage. By adopting such a provision, sums would be available for escheat in the first year following passage. Absent such a provision, no moneys would meet the bill's definition of unclaimed property and thus, be available for escheat to the states until the sixth year after its adoption.

was provided by fiscal or calendar year depending on agency record format. Although the amounts in table 2.1 are fairly substantial, the totals should be used cautiously. Relatively little of this could be considered unclaimed under existing program legislation, and some amounts have been payable for only a short period.

Although the applicable legislation generally stipulates that these funds are payable in perpetuity, the proposed bill would establish criteria for unclaimed property solely for escheat purposes. Under the bill, amounts would have to be outstanding at least 5 years before they would be considered unclaimed and thus subject to escheat to the states. As agencies locate and pay owners, unclaimed amounts attributable to the 5 years covered in table 2.1 would decrease, thus reducing the amounts eligible for escheat. We did not attempt to determine amounts by each of the 5 years because most agency data systems could not provide such a breakout.

Depending on how much of the unclaimed amounts agencies are able to return to owners over this period of time, several hundred million dollars might be eligible for transfer to states during the first 5 years after enactment. While no specific sums are determinable at this time, this could involve a hundred million dollars or more annually.

**Chapter 2**  
**Agencies Cannot Identify All Amounts or**  
**Owners Owed**

**Table 2.1: Estimated Amounts Selected Agencies Owed During Initial 5-Year Period<sup>a</sup>**

Dollars in thousands		
<b>Agency</b>	<b>Program</b>	<b>Amount</b>
HUD	Refunds owed on Federal Housing Administration Insured Loans <sup>b</sup>	\$81,553
USPS	Uncashed Postal Money Orders <sup>c</sup>	41,865
IRS	Undelivered Income Tax Refunds <sup>d</sup>	72,976
Bureau of Public Debt	Unredeemed Matured Savings Bonds <sup>e</sup>	1,320,618
FMS	Payment of Unclaimed Moneys account <sup>f</sup>	29,885
<b>Total</b>		<b>\$1,546,897</b>

<sup>a</sup>OPM could not provide us an estimate because its data is not automated.

<sup>b</sup>This amount includes newly established claims for premium refunds as well as any unreturned amounts for the 5-calendar year period. HUD considers an amount as unclaimed if the agency is unable to locate owners within 2 years of establishing the amount as owed. According to this criteria, officials had classified about \$52 million as unclaimed, but said that they would continue to honor any older claims as they are submitted.

<sup>c</sup>Represents both domestic and international money orders outstanding at least 2 fiscal years from the date of issue. USPS did not have records to show how much of this had been refunded.

<sup>d</sup>IRS could not provide complete data for the 5-year period. It had not yet completed its summary of 1987 tax year transactions. It also provided only partial data for the 1983 and 1984 tax years because most of these cases had already been removed from its on-line computer system. IRS did not search these inactive cases which had been transferred to a microfiche-based system because of the administrative costs and time required. Thus, this estimate encompasses comprehensive data for calendar years 1985 and 1986 and small amounts attributable to calendar years 1983 and 1984.

<sup>e</sup>As discussed in more detail in chapter 3, this total represents calendar year data as of August 31, 1987, on bonds that have reached final maturity (i.e., these bonds are no longer earning any interest).

<sup>f</sup>Several agencies transferred these amounts to Treasury's Payment of Unclaimed Moneys account during the period fiscal years 1984 through 1987. The Treasury officials stated that data for 1983 was not readily available because those records had already been sent to archives and retrieval would be very expensive and time consuming. Treasury officials told us that this account does not include uncashed checks not returned to the government during this period.

Substantially more effort would be required to determine the total amount of money that agencies hold which became due and payable during this 5-year period and which was still held by federal agencies at the end of the period. As the footnotes to the preceding table indicate, some agencies' data are not readily extractable from agency records because of the data systems used. As discussed later in this chapter, it may be possible to ascertain these amounts for the agencies we contacted as well as for other agencies through manual searches of existing data. While such efforts would be costly, they could identify increased amounts available for escheat to states.

## Some Agencies Have Problems Identifying Amounts Owed

The major factor precluding accurate and easy accumulation of outstanding payables is lack of automated data for the period under consideration. Even though the current years' data may be automated, and accordingly relatively easy to obtain, data pertaining to earlier years has frequently been removed from automated systems for reasons of economy and retired to permanent files accessible only through manual data searches. In other cases, the pertinent data had never been entered into an automated system.

Two of the agencies we contacted could not readily provide information on the amounts of intangible property they were holding as it would be defined by the proposed legislation. For example, in a July 1988 letter addressing our questions, IRS told us that it had complete refund data only for 1985 and 1986. IRS officials noted that they had not finished summarizing 1987 tax year transactions and that they did not have ready access to data for earlier years to generate the cumulative amount of undelivered tax refunds for the 5-year period ending September 30, 1987. The principal reason is that the separate and distinct account for each filing taxpayer for each year is transferred to an inactive register maintained on microfilm if no activity related to an account occurs within 3 consecutive years after the tax year of the undelivered refund.

To identify undelivered tax refunds which became refundable during 1983 and 1984 and which had been shifted to the inactive register, IRS would have to manually search microfilm records. To demonstrate the cost of such a search, IRS' legislative affairs officials referred to ongoing escheat litigation in which IRS had estimated that the administrative costs associated with manually reviewing microfilm records to identify about \$1 million in unreturned tax refunds for a particular state would be \$14.5 million. We did not assess the reliability of this estimate.

On the other end of the spectrum, OPM's retirement records for federal employees covered by the Civil Service Retirement Fund have not been automated. Its recordkeeping consists of about 35,000 file cabinets containing millions of folders. Records are filed in alphabetical order and within that framework, by date of birth. As a result, the retirement records cannot be readily sorted by employee age, a likely indicator of refundable retirement contributions, without extensive manual research.

OPM officials told us that adoption of the bill would require them to complete a two-step process to determine the extent of unrefunded contributions in the Civil Service Retirement Fund. The first would involve

manually reviewing the retirement files to identify those individuals subject to the relevant statute of limitations<sup>2</sup> which thus would meet the current criteria for unclaimed property. Second, they would have to review each of those files to determine how much was owed on each case. Although we agree with OPM officials that such efforts would entail a significant administrative burden, the effort involved would be even greater because adoption of the bill would probably involve reviewing their files to identify any that involve potential claims that have been payable for at least 5 years.

Even such a search would not generate an accurate total of unclaimed retirement contributions. OPM routinely receives information from agencies on employees who have left, but these data do not allow any concrete determinations that their retirement contributions should be considered unclaimed. OPM would not know whether the former employee was hired by another federal agency or, if not, whether the individual planned to file for a deferred annuity after reaching age 62 and therefore had intentionally not withdrawn the contribution. Because of these unknowns, OPM's Assistant Director for Financial Control and Management said that the only criteria that could be reasonably applied to identify unclaimed federal retirement contributions would be that established in the statute of limitations. (See footnote 2 below.) Such an approach would in all likelihood understate amounts owed because some employees who had left agencies would undoubtedly not return to federal employment.

## Data Needed to Identify Owners Is Not Always Available

In addition to problems in identifying how much is owed, some agency programs do not have the basic data needed to identify individual owners or to return amounts to them. In order to return funds, agencies must at least be able to obtain owners' names and current addresses. However, due to program provisions, limitations in recordkeeping systems, and the age of the information, some agencies do not have sufficient data to either identify or locate owners.

For example, the Postal Service's sales of domestic money orders present a most difficult problem for locating owners of uncashed postal money orders. Its sales procedures do not require any information which would identify either the purchaser or the intended payee. When

<sup>2</sup>Pursuant to 5 U.S.C. 8345 (i), applications for Civil Service Retirement Fund Benefits must be presented to OPM before the 115th birthday of the employee or within 30 years after the employee's death. Otherwise, they are considered unclaimed and revert to the Civil Service Retirement Fund and become available for paying retirement benefits to other retired federal employees.

the Postal Service sells a money order, which is a three-part form with carbons, it retains the bottom copy which is imprinted with the money order serial number, the date sold, a code identifying the issuing post office, and the dollar amount. The purchaser, who receives the original and the remaining copy, fills in his or her name as the purchaser and the name of the payee. The original serves as the purchaser's receipt, and the remaining carbon copy is the negotiable money order provided to the payee. Because the Postal Service would not have the purchaser or payee information which was subsequently added, it does not have information to identify owners or determine their last known addresses.

However, in the case of international money orders, the Postal Service obtains addresses for the payee and the purchaser at the time of sale. If these money orders are not cashed within the 90-day validity period, adequate information exists to return funds to the purchaser.

Treasury's Bureau of the Public Debt has a different problem. Its automated data system does not have sufficient information to easily identify and locate owners of matured series E savings bonds. That system, relying on data gathered up to 50 years ago when the bonds were sold, contains the serial number, date of issue, and current status of the bonds, that is, interest-earning, matured but unredeemed, or retired. While this may be adequate for program administration, to redeem mature bonds, name and address information would have to be extracted from microfilm files. These more detailed records, for every bond issued since 1935, also contain social security numbers for bonds issued since 1974. In 1984, Treasury created an automated supplemental file which includes bondowner names and addresses going back to 1974.

Without social security numbers, it can be difficult to locate owners of series E bonds who may have moved several times since purchasing the bonds. Data provided us by the assistant commissioner of the Bureau show that, since 1983, there are about 5.2 million matured, unredeemed savings bonds. Even assuming a thorough search for owners were completed, the success rate might not be very high because the address information for matured series E bonds is 30 to 50 years old and social security numbers are available for relatively few of these bonds. Current addresses might be obtained from IRS or SSA if social security numbers were available.



Even less is known about owners of marketable bearer securities.<sup>3</sup> Because of the nature and negotiability of these securities, the Bureau does not know who owns these bonds. As of December 1987, the cumulative balance of unredeemed matured bearer securities was \$1.4 million. Treasury did not know how much of this would fall into the most recent 5-year period.

The Bureau estimated that establishing an automated system and extracting information for savings bonds and marketable registered<sup>4</sup> securities from their records, as would be called for by the proposed legislation, would cost about \$23.1 million, plus an amount for annual operating costs. We were told that this estimate included amounts needed for designing and implementing an automated system to track individual amounts representing saving bonds and marketable registered securities transferred to states under the escheat provision.

Bureau officials also considered such a tracking feature necessary because their existing regulations do not establish any time limits on when a bond or security may be presented for redemption. Based on this, Bureau officials said the investors would continue to believe that funds they lent to the federal government must also be refunded by a federal agency. Accordingly, unless the period for redeeming such securities and bonds is somehow limited, they said that the ability to track individual amounts escheated would be a basic element of their implementation of such a bill.

Without this capability, Treasury would not know which state to seek reimbursement from if the owner presented the bond or security for redemption by Treasury after that sum had already been escheated to a state. They noted that such a system would be in active use because they receive claims amounting to approximately \$7,000 to \$10,000 daily for bonds that matured many years ago.

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## Conclusion

Effective implementation of the proposed legislation would entail a major investment in agency systems and data gathering. Currently, many existing systems do not allow any precise determination of how

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<sup>3</sup>With certain exceptions, bearer securities are payable to whoever presents them for payment and are transferable by mere delivery. Bearer securities are not inscribed with the name of the owners.

<sup>4</sup>A registered security is inscribed with the owners' name and is not transferable except by assignment or lawful succession.

much money would be eligible for transfer to the states under the proposed bill. While it would be technically feasible to develop more sophisticated systems and to collect relevant data for administering such a program, some of the data needed to refund amounts owed are based on transactions that occurred many years ago. Relevant data, such as names of owners and their social security numbers, which could be used to locate current addresses cannot be obtained without considerable effort, and there would be no guarantee of success. For several programs such as Postal Service money orders and Treasury bearer securities, it simply would not be reasonable to try to trace these amounts because agencies did not need to obtain information on the owners to fulfill program purposes. Finally, agencies would need to augment existing systems to develop the capability to identify which state received each amount transferred so that agencies could recoup from states any amounts that they subsequently were able to return to owners.

# Agencies Try to Locate Owners but Could Do More

Agencies make varying efforts to locate owners and return what they owe. In general, those with more effective data systems had greater success. In other instances, agency officials considered such initiatives too costly or had expended little effort to locate owners under the rationale that the property remains available to be claimed by owners regardless of the passage of time. Although owners should be considered primarily responsible for securing their assets, some government agencies that serve as custodians have certain responsibilities to try to return what does not belong to them.

## Responsibility to Locate Owners

We did not approach this topic with the notion that federal agencies should guarantee the return of this money even though owners did not carefully administer or oversee their own assets. The following sections summarize agency-described procedures for identifying and returning amounts they owe. We did not evaluate the adequacy of those procedures or how well they were carried out.

In general, states have been active in this area. A study released during January 1988 by the Congressional Research Service indicated that 37 states had enacted some form of unclaimed property statute, under which those states have developed systems for locating owners of abandoned or unclaimed property. According to that report, if states cannot find the rightful owners, the property escheats to the state. We did not determine the level of effort exerted at the state level or the adequacy of those procedures.

## Agencies Make Some Efforts to Locate Owners

Agencies have placed varying levels of emphasis on locating owners. Some have detailed procedures and seem to have made genuine efforts while others have made little effort. Although the Congress has specifically encouraged HUD to improve efforts to return amounts owed to individuals, the level of effort dedicated to this function has largely been a matter of agency philosophy. This section discusses efforts that the agencies we reviewed have made to return amounts owed.

## HUD Mortgage Insurance Premium Refunds

For a fee paid by the borrowers, the Federal Housing Administration (FHA), which is an entity within the Department of Housing and Urban Development (HUD), insures home loans originated by various banking and mortgage lending firms. FHA uses mortgage insurance premium income to cover administrative costs and any defaults on the insured loans.

reported<sup>1</sup> that as of November 30, 1972, over 700,000 matured U.S. Savings Bonds with an estimated face value of about \$50 million were held in safekeeping with Treasury and the Federal Reserve Banks and that almost half of the bonds belonged to World War II and other veterans.

Bureau of the Public Debt officials told us that in response to a GAO recommendation, they initiated efforts between 1977 and 1980 to centralize the safekeeping operation in the Bureau's Savings Bond Operations Office. Bureau officials said that simultaneous with this effort, Federal Reserve Banks wrote to the owners at their last known addresses advising them that their safekeeping facilities would be terminated and that the bonds would be sent to Treasury's Bureau of the Public Debt for central administration if not claimed within 2 months.

Upon receiving the bonds, the Bureau made several additional efforts. One involved compiling an automated list of owners for which social security numbers were available and requesting, in 1977, that the Veterans Administration compare that data to its data base to determine if its name and address information was more recent. A similar match was initiated with data in the Social Security Administration's letter forwarding service in 1982. Based on the updated address information obtained in this manner, the Bureau wrote to the owners asking them to contact the bureau regarding amounts they may be owed. No other special initiatives had been made since that time. As of September 30, 1987, the Bureau still had about 245,000 safekeeping bonds with a face value of about \$10 million. According to bureau officials, the balance was declining slowly as owners contacted them to redeem their bonds.

Although the Bureau no longer offers safekeeping services to the general public, Bureau officials told us that the Army, Navy, and Air Force continue to offer safekeeping services for their personnel until 1 year after an individual leaves military service. If the person does not claim the bonds within that time, military services transfer them to the Bureau where they are retired as undeliverable. According to Bureau officials, undelivered bonds are available to owners when they contact the Bureau.

Treasury officials said they did not know how many of these bonds received in the last few years had social security numbers, but that they would add those with social security numbers to the list of bonds that

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<sup>1</sup>Unclaimed Savings Bonds Should Be Returned to Veterans and Other Individuals (B-179225, August 10, 1973).

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Postal Service Money  
Orders

International money orders purchased at U.S. post offices and sent overseas are generally valid for 90 days. Upon notification from a foreign country institution that a money order was not cashed within the validity period, the U.S. Postal Service issues a full refund, in the form of a domestic money order, to the U.S. purchaser.

As discussed earlier, no ownership information exists to make refunds on uncashed domestic money orders—including those issued to reimburse owners for uncashed international money orders—but there is no time limit on when they must be presented for payment. In accordance with its program guidance, postal service officials transferred claims outstanding at least 2 years to their revenues. They told us that without names and addresses of owners, it is impossible to take the initiative to return amounts owed, but said that they honor such claims whenever they are presented for payment.

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Savings Bonds

Treasury's Bureau of the Public Debt estimated that between 1983 and 1987, there were over 5 million matured, unredeemed savings bonds of various series with a cumulative redemption value of about \$1.3 billion. Officials from the Bureau, which administers sales and redemptions of savings bonds, told us that they have current owner data for series H savings bonds for which they remit interest checks semiannually but not for owners of series E savings bonds on which interest is paid upon redemption.

Bureau officials contact the owners of series H bonds shortly before maturity to advise them that their securities are maturing and of the options available for reinvestment. Bureau officials said they had not tried to contact owners of series E savings bonds because of the administrative costs that would be incurred in dealing with the tremendous volume and partially manual method of recordkeeping employed at the time of issue. Because it does not have social security numbers for the matured series E bonds issued 30 to 50 years ago, the Bureau cannot initiate computer matches with other agencies to attempt to update its address information.

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Safekeeping Bonds

In 1935, Treasury initiated a safekeeping program to encourage purchase of savings bonds. Upon request, Treasury would store individuals' savings bonds in its vaults at Federal Reserve Banks. In 1973, GAO

maintains an automated record of undelivered refunds for at least 3 years.

IRS has procedures to locate individuals who have moved since filing for a refund. Its officials told us that if the addressee has filed a change of address form with the Postal Service, the refund check should be forwarded to the new address. If the refund check is not delivered and is returned to IRS, the Service sends a follow-up letter to the taxpayer's last known address advising him or her of the outstanding refund. If the taxpayer confirms the address on the follow-up letter or provides a new address, IRS reissues a refund check to the correct address.

If IRS is unable to locate the taxpayer and there is no activity on the taxpayer's account for 3 consecutive years, the information is transferred from the active automated master file to the inactive microfilm retention register for future reference. A major drawback of the system is that once an account reflecting an undelivered refund drops from the automated master file, the system would not automatically draw attention to the refund, thus posing the possibility that those who do not file tax returns at least every 3 years will not receive their refunds.

In 1977, we recommended<sup>2</sup> that IRS furnish local news media lists of individuals for whom it had not been able to deliver refunds. In a followup effort in 1981, we reported<sup>3</sup> that IRS district offices routinely received such lists by area and that they had provided the lists whenever requested by local news media, but that they had not actively promoted local media assistance. IRS staff told us during this review that they did not have data on the extent to which the district offices currently were providing information on undelivered refunds to local media nor on how the local media were using this information.

IRS officials told us that during 1985 they had discontinued active efforts to locate individual taxpayers who had not received their refunds because those initiatives were labor intensive and therefore costly. They said they had attempted to enlist congressional assistance to notify their constituents how to contact IRS to determine whether they were owed refunds.

<sup>2</sup>Procedures Used by IRS To Provide Tax Payers With Refunds Not Initially Delivered by the Postal Service (B-137762, August 4, 1977).

<sup>3</sup>IRS Handling of Undelivered Income Tax Refund Checks (B-202443, April 10, 1981).

would be forwarded to IRS during 1989 for matching with more current addresses on its mail-forwarding service.

## Matured Marketable Securities

Treasury issues various types of marketable securities and has several mechanisms to advise owners that their securities have matured or that they will be maturing soon. According to Bureau of Public Debt officials, Treasury had approximately \$714 million in cumulative outstanding bearer and registered securities as of December 31, 1987. The following are some of the communication tools it uses with respect to the owners of registered securities.

- A notice is sent to owners at the address of record about 2 months prior to maturity. This informs owners of the impending maturity of the security and the available options for distributing the proceeds, including reinvestment in new Treasury securities.
- The Bureau sends interest Earnings Statements (IRS Form 1099INT) to the address of record following the end of any calendar year in which an interest check was issued. Because the maturity date coincides with the final interest payment, such statements also can indirectly remind owners that their securities have matured.
- The Bureau also sends IRS Form 1099B annually to the registered owners of Treasury bonds and notes that have matured. This form states the amount of principal of bonds and notes that matured during a calendar year regardless of whether or not the securities have been redeemed.
- Bureau officials told us that they had used IRS' mail forwarding service during 1988. The Bureau compiled a list of individuals who own unredeemed securities and for whom it has social security numbers and forwarded that list to IRS for computer comparison with IRS data bases of current address. For those for which IRS had an address, IRS forwarded a Bureau-prepared letter to owners at the updated address asking that they contact the Bureau to claim or otherwise provide instructions regarding the disposition of the proceeds of the matured securities.

## Undelivered Income Tax Refunds

IRS has an active system to automatically notify it whether those who file tax returns are still owed refunds from prior years, but the period covered is limited. When the Postal Service returns refund checks as undeliverable, the IRS credits the undelivered amount to the individual taxpayer's account for that year, thereby activating a mechanism for automatically identifying the existence of the refunds if those individuals file tax returns in succeeding years. As described earlier, the system

based on the recommendation of an internal review panel and that there was no likelihood of reactivating such an automated project because new employees are required to be part of the new Federal Employees' Retirement System (FERS). However, many federal employees will be covered by the earlier retirement system for the foreseeable future because very few employees converted to FERS during the recent open season. The net effect is that for a 25-year old federal employee who (1) had previously switched agencies which caused the records to be sent to OPM, (2) did not convert to FERS, and (3) retires at age 55, OPM will have to rely on manually filed data for about the next 30 years.

As we recently reported,<sup>6</sup> OPM has contracted to develop an automated system for the new federal retirement system and agency officials said that they expected to implement it during October 1991. Until then, these records are being handled by the same type of manually-based file system used for civil service retirement records. Automating files for the new retirement system could facilitate identifying unpaid benefits under that system; however, more than 2 million employees are still covered by the old civil service retirement system.

## Data Not Available to Evaluate Agencies' Performance

Most of the agencies' information systems that we reviewed did not have sufficient data to monitor performance in returning amounts owed. For example, IRS' computer system has data on how much was refundable for each tax year, but does not keep track of how much is still owed to taxpayers by tax year. However, for programs for which data on total refunds owed is available, the percentages of amounts owed that have been returned appear to be relatively high.

- Since 1984, FHA's mortgage insurance program system has captured data on amounts owed and paid by year. This offers the capability to assess whether it returns a substantial percentage of the available refunds promptly. For 1987, HUD reported paying 92 percent of the mortgage insurance premium refunds.
- Treasury's statistical sample of securities that matured in 1982 and 1983 for which Treasury had pertinent data automated indicated that 99.9 percent of securities issued have been redeemed. However, it could not assess performance for the overall 5-year period because it did not have readily available information on (1) the value of marketable securities that had matured but not been redeemed during the 5-year period or (2) total security sales for the years in which these matured securities

<sup>6</sup>Implementation of the Federal Employees Retirement System (GAO/GGD-88-107, August 4, 1988).



## Accumulated Retirement Benefits

Not all agencies have been trying to locate owners. According to OPM officials, OPM does not contact former federal employees who may not have applied for refunds of their contributions to the Civil Service Retirement Fund. The officials told us that the agency had millions of individual retirement records, that the files are not automated, and that the files are often incomplete regarding current employment status. They said that in combination, these factors would make it too costly for OPM to identify and then contact possible owners or beneficiaries. They observed that federal retirement legislation places the responsibility for claiming contributions on individuals entitled to them and that no valid claims have ever been denied.

In 1972, with the assistance of the Civil Service Commission (now called OPM) and other agencies, GAO demonstrated that it was feasible and not too costly to locate people with unclaimed benefits.<sup>4</sup> In that report, we recommended two actions to minimize the problem in the Civil Service Retirement and Disability Fund. The first was that the Commission would try to locate and repay former employees who apparently were unaware that they were entitled to any money from Civil Service. In response, the Commission initiated a project to identify and locate such individuals. This resulted in refunding almost \$10 million.

Second, we recommended that a statute of limitations be enacted to permit destruction of individual retirement records when there is no longer any reasonable basis for assuming that a claim will be made. During congressional hearings in 1975<sup>5</sup> on the topic of establishing time limits for applying for these federal retirement benefits, the Civil Service Commission said it would continue efforts to locate former federal employees or their beneficiaries and advise them that they had rights to those amounts.

In response to our current inquiries, OPM officials said they had not made any efforts since 1975 to identify or locate such former employees. They told us that the Centralized Automated Retirement System project, an initiative started during 1975 to automate civil service retirement system records, had been suspended soon after it was underway because staff dedicated to that project had to be reassigned to maintain the system then used to provide monthly benefits to existing retirees. OPM officials pointed out that rechanneling those resources had been

<sup>4</sup>Unclaimed Benefits in the Civil Service Retirement Fund (B-130150, December 20, 1972).

<sup>5</sup>Hearings before the Subcommittee on Retirement and Employee Benefits of the Committee on Post Office and Civil Service, 94th Congress, April 10, 1975, Serial No. 94-11.

# Bill's Impact on Current Laws, Agency Roles, and the Budget

Adoption of the proposed legislation would have a substantial effect on numerous existing federal laws governing disposition of unclaimed funds. We identified about 20 laws for which this bill would, in effect, supersede or otherwise modify how agencies are to dispose of such funds. Also, as now structured, the bill assigns functions to GAO that would be more appropriately handled by executive branch agencies and directs the General Services Administration to carry out activities in which it has little experience. The process of summarizing the required unclaimed amounts information on a state by state basis, would require additional federal outlays with relatively little effort being required by the states. In addition to these administration costs, the actual transfer of funds would add pressure on the existing budget deficit and potentially create demand for additional revenues.

## Impact on Current Laws

The proposed legislation, as currently written, would, in all likelihood, have the effect of superceding many existing federal laws which address amounts held by federal agencies. This includes reversing provisions in which the Congress had previously expressly stated that certain funds held by federal agencies for which owners could not be found would either escheat to the United States or that they were specifically not to escheat to the states.

Until enacted, the precise effect of the bill will remain subject to some speculation. Based on the plain language of the bill, however, the proposed legislation would have a sweeping effect on current laws.

In its text, the proposed bill states unequivocally that "notwithstanding any other provision of law, states may escheat or otherwise take possession of unclaimed property in the custody of federal agencies whenever the provisions of this Act have been complied with." Use of the term "notwithstanding" would have the effect of superceding any existing laws concerning the same topic if they are inconsistent with this bill.

Another factor to be considered when statutes covering the same topic provide conflicting requirements is that the statute most recently enacted prevails because it is the most recent expression of legislative intent. The rationale is that legislative bodies are presumed to be aware of the existing body of law applicable to the subject matter under debate. Also, absent any ambiguity in terms, laws must be interpreted consistent with their obvious meaning regardless of any pre-existing statutes.

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were issued. Performance in redeeming matured savings bonds could not be assessed for the same reason.

- The U.S. Postal Service sold postal money orders totaling over \$47 billion from 1983 through 1987. About \$41 million, less than one-tenth of 1 percent, were still payable as of September 30, 1987.

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## **Conclusion**

Most agencies we contacted could improve their efforts to locate owners. Major variables in the degree of effort required for more effective initiatives include the age of the address data, availability of social security numbers, and the sophistication of the agency data systems. Improvements in returning such money would probably be dependent on better information or systems to readily access that data.

dependent on that service because many of them may not have checking accounts.

Appendix I contains detailed information on the statutes and decisions which may be affected by passage of the proposed legislation.

## Provisions Regarding Coverage Are Not Consistent With Sponsors' Intent

Based on our discussions with the requestors' offices, it was apparent that the bill's authors envisioned that Department of Defense, Veterans Administration, and Social Security Administration activities and programs would not be subject to the proposed legislation largely because of the sensitivity of the affected interests. However, except for certain aspects of Social Security Administration programs, the bill as written would not accomplish that objective.

Section 3(8) of the bill specifically excludes "bonuses, gratuities and sums" held by the Social Security Administration from the definition of unclaimed property held by federal agencies. Because this exception is stated in rather broad terms and no legislative history or background information is yet available, we can only presume that the intent was to exclude from escheat certain unnegotiated Social Security benefit checks. Presently, both the Social Security Act and its legislative history clearly reflect the intent of the Congress to ensure that any undisbursed amounts revert to the fund and be used only to pay Social Security benefits and to prevent disposition of those monies by other means, such as state escheat.

The bill does not exclude property held by VA from the escheat process. As is the case with the Social Security Administration, legislation governing veterans' benefits specifies that unclaimed veterans' benefits are not to escheat to the states. Such benefits are to be retained by VA and used to aid other veterans.

Regarding the military services, section 4(b) of the bill would exclude certain unclaimed property held by the military departments and the Department of Transportation from the escheat process, but not affect items of a monetary nature. The exclusion would pertain to 10 U.S.C. section 2575, which applies chiefly to clothing and other personal effects of relatively small value.

On the whole, the programs that individual agencies manage can be very diverse with regard to funding source and the level of financial interest

Based on these concepts, our legal research indicated that at least 20 statutes may be overridden by the proposed law. For example:

- The Internal Revenue Code (26 U.S.C.A. 6408, West Supp. 1988) provides that no overpayment of tax (federal income tax refund) may be refunded if the sum would escheat to a state or pass into state possession under state unclaimed property laws.<sup>1</sup>
- A law related to veterans' life insurance benefits (38 U.S.C.A. 770(h), enacted in 1982), provides that no insurance claims are to be paid if amounts would escheat to a state. Currently these unclaimed benefits are required to be retained by VA and used to pay benefits that would aid surviving veterans.
- Legislation related to the Civil Service Retirement Fund (5 U.S.C.A. 8346, enacted in 1982) provides that retirement moneys from this trust fund generally are not assignable or subject to execution, levy, attachment, garnishment, or other legal processes.

Our analysis of the potentially affected laws indicates that changes could affect many agencies' operations. In many instances, transferring to the states amounts owed would require some combination of additional federal revenues or charges to program users or beneficiaries, spending reductions, or increased federal borrowing.

For example, many of the affected programs involve trust funds such as that used by HUD to insure home loans. Inherently, moneys escheated to states would translate into less funds for conducting insurance operations, and, ultimately, the trust fund may seek additional revenues in such forms as federal subsidies or higher insurance fees for home purchasers. Depending on the amounts escheated, such a scenario could be the case for most trust fund operations.

Another example would include money orders. The Postal Service uses revenues realized as a result of uncashed money orders to reduce its charges for that service. According to postal officials, because legislation governing Postal Service operations requires its various services or classes of mail to be self-supporting, the Postal Service may have to increase its fees for money orders if it is required to escheat unclaimed funds to the states. The Postal Service pointed out that this could impose a hardship on economically disadvantaged persons who are most

<sup>1</sup>This section was enacted during December 1987 as a direct result of legal actions filed by states to escheat undelivered federal tax refunds. It was adopted expressly to prohibit states from escheating the funds that the proposed bill would require the Treasury to transfer to the states.

could subsequently contact those agencies to secure these amounts as well as the information that may help them locate the owners and refund the money. This would avoid the need to establish or designate an office to compile summary data for state use; it would also avoid some of the attendant cost. If states are to be the beneficiaries under such a proposal, taking the initiative for themselves should not be unduly burdensome.

Issuance of governmentwide regulations on the disposition of this money would seem to be better assigned to the Office of Management and Budget, which has responsibility for and experience in issuing administrative guidance to the executive branch. Apart from whatever efficiencies may exist in having OMB perform this function, adopting regulations to govern executive branch disposition of unclaimed monies is more appropriately handled by OMB rather than GAO. Treasury could prescribe any necessary implementing procedures.

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## **GSA's Role in Disposing of Intangible Personal Property**

The proposed legislation would require that unclaimed funds held by federal agencies be transferred to the General Services Administration which would retain custody pending disposition to the owners. Regardless of to whom these funds eventually go, we do not believe that GSA would be the most logical entity to administer the escheat process. As discussed earlier, GSA has considerable experience in disposing of tangible federal property.

At this point, no one agency handles such outstanding claims. As discussed earlier, certain amounts are to be deposited in the Treasury account (Payment of Unclaimed Moneys) while others are retained at the agency level. In either case, individual agencies maintain the detailed records regarding the nature or origin of amounts owed and are responsible for continuing efforts to locate owners and resolve individual claims. Thus, while Treasury is more involved than GSA in managing such assets, other agencies tend to do much of the accounting work pertaining to monetary claims as they relate to their own executive branch functions. However, Treasury officials at the Financial Management Service acknowledged that if the Congress adopted the bill and wished to have the federal government consolidate information pertaining to each state, such a responsibility would, by default, probably be best handled by Treasury.

for the federal government. Accordingly, it may be appropriate to consider eligibility for escheat on a more selective basis than by simply excluding these three agencies across-the-board.

For example, the federal government administers numerous trust funds on behalf of beneficiaries with mutual interests like home mortgage insurance. In those instances, it could advance strong arguments for retaining these unclaimed amounts to benefit other holders of insured loans as a group because they have a financial interest in the overall solvency of that fund. In other cases, such as Veterans benefits, the federal government appropriated the operating funds. In such instances, it would seem that the federal government would have an economic interest in retaining and utilizing unclaimed amounts for future program purposes.

## More Appropriate for Executive Branch Agency to Administer This Function

If adopted, the proposed legislation would assign a major administrative role to the Comptroller General by requiring GAO to annually examine all records relating to the accounts payable of each federal agency. From such records, GAO would be responsible for identifying and recording information on (1) the value subject to the escheat provision, (2) how the agency obtained custody, (3) the identity of each owner, and (4) the dates essential for determining when the property became unclaimed property as defined by the bill. GAO would be required to report to each state on the unclaimed amounts identified. It would also be charged with prescribing the regulations under which agencies would be required to transfer amounts to GSA and with several reporting responsibilities.

Consistent with our views on two earlier bills with essentially the same legislative objective, we believe that the tasks assigned to GAO are of such a nature as to lend themselves more appropriately to executive branch performance. Taken as a whole, the activities required of GAO under these provisions would constitute a substantial part of the program established by the proposed legislation. Tasks regarding owner identification, asset valuation, and other functions involving amounts owed are roles within the charters of the agencies which administer the related programs. In most instances, agencies already need this information for their efforts to locate possible owners or to otherwise manage their recordkeeping operations.

From a federal perspective, we believe that the most economical way to notify states of what they may claim would be to publish a list in the Federal Register of the agencies which hold amounts owed. State offices

chapters 2 and 3. In view of the thrust of the bill, they were of the view that states should be willing to contribute some portion of the administrative effort involved. One suggestion was for states to contact agencies directly to determine what was available for escheat and to make necessary arrangements for transfers of funds along with pertinent records identifying the individual owners of the amount to be transferred.

In addition to administrative costs, the actual escheat process would involve cash outlays that would have to be financed in some manner such as increased borrowing. Regardless of the source of funds, additional federal outlays would increase existing pressures on the federal deficit.

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## Conclusion

By superceding previous legislative decisions barring payments to anyone except owners or heirs, the proposed legislation would have a sweeping effect on current federal laws dealing with unpaid amounts held by federal agencies. In all likelihood, the cumulative effect would be to increase administrative expenses and federal outlays, thus adding to the federal deficit or the need for more revenues without any guarantees that significantly more money will be returned to rightful owners. Administrative aspects could be streamlined by assigning more of the implementation responsibilities to states.

There are many questions regarding technical aspects of the bill. Among these are GAO's reservations concerning our administrative role and the role for GSA as contemplated in the bill. Any central administration for such an initiative could more appropriately be handled by Treasury and OMB.

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## Agency Comments and Our Evaluation

The six departments and agencies from which we requested official comments (OMB, Treasury, OPM, USPS, HUD, and GSA)<sup>2</sup> agreed with the information presented in the report. The first four agencies also cited the increased administrative costs and opposed transfers of unclaimed federal money to the states.

OMB objected to the basic thrust of the bill which it described as, in essence, seeking to establish a new source of state financing outside the regular appropriation process. It expressed strong concerns about the effect that the high administrative cost of identifying and tracking

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<sup>2</sup>GSA provided official oral comments.



## Administrative Costs and Escheated Funds Would Add More Strain to Deficit Reduction Efforts

Annual examinations of each agency's records concerning amounts that would be defined as unclaimed would be very costly regardless of which agency spearheaded the effort. As envisioned by the bill, this would involve several components. Because of the lack of automated records in many programs, substantial costs would be incurred just to identify claims meeting this criterion. Additional funds would be needed to summarize the data by state.

Implementing the bill would entail identifying, as a minimum, each claim, its amount, and the owner's identity and last known address. The addresses would be broken down by state. Such information would be necessary for calculating the amounts available to be claimed by each state. This level of detail, which would allow identification of each item making up amounts subject to escheat by each state, is necessitated by the hold-harmless provision in the bill. This provision calls for the state which receives monies to refund any amounts later claimed by owners and paid by the federal government. The merit of such a clause is obvious in that it precludes the federal government from being subject to paying twice, that is, transferring funds to the state and later being legally or morally compelled to pay those same claims if owners present the claims or are subsequently identified and located.

Establishing an automated system to provide the ability to track individual amounts escheated would be a costly element in the implementation of such a bill. As discussed in chapter 2, the Bureau of Public Debt estimated that developing and operating a tracking system would cost over \$23 million. Such a system would have to be developed by every agency that transferred funds to states under such a legislative initiative.

Although states would presumably need available data on individual amounts comprising totals received in order to do some followup on their own to locate owners, federal agencies where the claims originated would continue to house the detailed records. Such an arrangement would seem practical because in all likelihood, claims from property owners for amounts due would continue to be received by federal agencies even after those amounts had been turned over to the states. It would be logical for agency personnel, who are most familiar with program provisions, to research and rule on the validity of such claims.

Several agencies told us that they did not believe the federal government should be obligated to summarize this information on a state by state basis. Those officials noted that this would be a costly process requiring central administration and added funding as discussed in

We did not advocate centralized administration of such an initiative at the federal level. Instead, we said that the responsibilities envisioned by the bill fall within the responsibilities of agencies that manage the respective programs. Subsequent to identifying unclaimed amounts subject to any adopted legislation, individual agencies could publish pertinent data in the Federal Register. At that point, states could contact agencies directly. We noted that such an approach would avoid the need to establish or designate an office to compile summary data. Such an approach is conceptually similar to views expressed by Treasury's Financial Management Service.

We did say that if any adopted legislation called for central administration, specifically consolidation of information pertaining to each state, Treasury would probably, by default, be the best choice. One of Treasury's assigned functions relates to central accounting and reporting. It has previously established procedures for transferring unclaimed moneys from agencies' trust and deposit fund accounts and maintains summary accounting records for the transferred unclaimed property. Similarly, it could establish procedures for transfers to states under an escheat initiative. In this role, Treasury could require agencies to report to it the dollar amounts subject to escheat on a state by state basis. This data could be consolidated into a listing of agencies that each state would need to contact to obtain the funds for which they are eligible and be published in the Federal Register.

unpaid claims, along with any amounts transferred to states, would have on agency resources and said that such an initiative could hinder federal deficit reduction efforts. OMB said it believed that the Congress had already established its views on the concept of state escheat by adopting legislation that protects federal programs from state escheat laws. It said it opposed any reversal of that position.

Treasury, OPM, and the Postal Service also objected to initiatives to transfer unclaimed moneys from their respective programs to states. Treasury referred to its ongoing efforts to block state escheat of unclaimed tax refunds and said it also was opposed to any such transfers of savings bonds or other securities issued by its Bureau of Public Debt. Furthermore, Bureau officials stated that the continuing responsibility to pay matured savings bondholders would make double payments a certainty. They said this would occur even though the bill had a hold-harmless provision, which in theory, would require states to return any amounts escheated if federal agencies subsequently identified owners and paid the claim. They said double payments would occur because few states' escheat laws provide for such reimbursements.

OPM said that any unpaid retirements benefits should be retained by the Civil Service Retirement Fund until paid to qualified retirees, thus helping to meet the basic objective for which the fund was established.

Postal Service officials stated that transferring amounts representing uncashed money orders to the states would potentially require higher service fees for money orders. They pointed out that legislation regarding postal service functions requires the various postal services and classes of mail to be self-supporting, thus, in their view, precluding revenue transfers among postal activities to cover shortfalls. They noted that money orders are heavily used by the poor because they may not have checking accounts, thus inferring that any increases would fall disproportionately on those who are economically disadvantaged.

In addition to basic disagreement with state escheat, Treasury did not agree with our view that it, rather than GSA, would be the most logical federal entity to centrally administer such a requirement. It noted that its diverse functions had not offered it any opportunity to gain specialized knowledge in this area and that over the years Treasury had often been asked to assume numerous responsibilities without additional resources.

# Some Statutes and Decisions Which May Be Preempted by Passage of the Proposed Legislation

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31 U.S.C. 1322(c)(3) (Supp. II 1984) (Postal Savings System Statute of Limitations Act)	Established a 1-year statute of limitations for claiming the balance of unclaimed postal deposits remaining in the U.S. Treasury. An initial distribution of the bulk of funds was made pursuant to P.L. 92-117, 85 Stat. 337 (1971).
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12 U.S.C. 216 (1982) Disposition of Unclaimed Property Recovered From Closed National Banks	All rights to, title to, and interest in property attained by the Comptroller of the Currency as receiver of closed national banks, shall vest in the United States if the property remains unclaimed for 1 year.
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5 U.S.C. 8705(d) (1982) Unclaimed Benefits in the Federal Employees' Life Insurance Fund	Unclaimed life insurance benefits deriving from federal life insurance plans are credited to the Employees' Life Insurance Fund, if unclaimed by an entitled person or his beneficiary within 4 years after death.
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Certain Unclaimed Federal Employee Health Insurance Benefits	Contractual provisions within certain OPM contracts with insurance carriers require that benefit checks which remain unclaimed 2 years or more are to be voided and credited to a "Special Reserve" of funds established to cover net excess premium payments. This provision has been held to preempt State laws dictating a different disposition of such unclaimed funds. <u>Blue Cross &amp; Blue Shield of Florida, Inc., v. Department of Banking and Finance</u> , 791 F.2d 1501 (11th Cir. 1986).
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## Veterans

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38 U.S.C. 5202(c) (1982)	Unclaimed personal property of veterans or dependents which is found on the premises of a VA facility is credited to the General Post Fund, National Homes, VA.
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38 U.S.C. 5220 (1982)	Personal property, including money, left by a deceased veteran who is a patient in a VA facility immediately vests in the United States, cf., <u>Levy v. United States</u> , 574 F.2d 128 (2nd Cir. 1978).
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**Appendix I  
Some Statutes and Decisions Which May Be  
Preempted by Passage of the  
Proposed Legislation**

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retiree's birth or within 30 years after death or other event which gave rise to the benefit.

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5 U.S.C. 8346 (1982)

Retirement fund money is not assignable (except under certain circumstances) or subject to execution, levy, attachment, garnishment, or other legal processes unless otherwise provided by federal law.

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## **Disposition of Abandoned Postal Service Money Orders**

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39 C.F.R. 946.1 (1987),  
Under Authority of 39  
U.S.C. 401, 402 (1982)

The Postal Service shall dispose of money such as money orders lost or stolen in the mails, and recovered by postal inspectors, by "dispos[ing] of it to the United States Government or to the senders or owners of the mail as their interests shall appear . . . ."

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## **Tax Refunds**

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26 U.S.C.A. 6408 (West  
Supp. 1988)

Provides that no overpayment of tax (i.e., tax refunds) may be paid if the sum would escheat to a state or pass into state possession under its unclaimed property laws.

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## **Unclaimed Moneys Paid Into U.S. Courts**

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28 U.S.C. 2041 and 2042  
(1982)

Money paid into a United States Court in any case pending or adjudicated shall be deposited with the United States Treasury (or a designated depository in the name and credit of the court). If money remains unclaimed for at least 5 years, the money is deposited to the credit of the United States. The money remains subject to court ordered disposition to entitled persons upon adequate proof. However, the proposed legislation would only conform this statute to existing Supreme Court

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**Appendix I  
Some Statutes and Decisions Which May Be  
Preempted by Passage of the  
Proposed Legislation**

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38 U.S.C. 3202(e) (1982)	Funds held by a fiduciary deriving from benefits payable under laws administered by VA which would otherwise escheat to the States, escheat to the United States. <u>United States v. Board of Commissioners of Public Schools of Baltimore City</u> , 432 F. Supp. 629 (D. Md. 1977).
38 U.S.C.A. 750 (West Supp. 1987)	No payment shall be made to an estate that would escheat to a state. Instead, the sum shall escheat to the United States for deposit into the Government Life Insurance Fund.
38 U.S.C. 770(h) (1982)	No insurance claims to be paid if amounts would escheat to a state.
38 U.S.C.A. 716(e) (West Supp. 1988)	No payment if estate would escheat to a state; applicable to insurance maturing prior to August 1, 1946.
38 U.S.C. 717(d) (1982)	Post August 1, 1946: no payment if escheat to state. <u>Burke v. United States</u> , 459 F.2d 1017 (8th Cir. 1972).

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## Treasury

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31 U.S.C. 1322(a) (1982) Payments of Unclaimed Trust Fund Amounts	Mandates that unclaimed moneys in certain trust fund accounts (listed in 31 U.S.C. 1321(a)(1)-(82) and analogous trusts in 1321(b)) which have remained there unclaimed for over 1 year, be deposited in a U.S. Treasury fund account designated "Unclaimed Moneys of Individuals Whose Whereabouts Are Unknown." See also Treasury Financial Manual 6-3000.
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## Unclaimed Civil Service Retirement Fund Benefits

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5 U.S.C. 8345(i) (1982)	No payment may be made from the Civil Service Retirement Fund unless an application is made to OPM before the 115th anniversary of the
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**Appendix I  
Some Statutes and Decisions Which May Be  
Preempted by Passage of the  
Proposed Legislation**

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**10 U.S.C. 6522 (1982)**

Money or other personal property of a deceased member of the Navy is put in the custody of the Department of the Navy which must make a diligent effort to determine and find the heirs or next of kin. Money remaining unclaimed 2 years after the service member's death is deposited into the Treasury. A claim may be made within 5 years after death by certification to the Congress. 10 U.S.C. 6522(b).



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decisions which have held that a state may escheat funds deposited under 28 U.S.C. 2041 and 2042. U.S. v. Klein, 303 U.S. 276 (1938).

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## Unclaimed Property in Bankruptcy Proceedings

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11 U.S.C. 347 (1986)

Property remaining unclaimed after a Chapter 7, 12, or 13 federal bankruptcy distribution is deposited with the Treasury. The same analysis that applies to moneys paid into United States Courts applies to this provision.

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## Disposition of Unclaimed Property of Deceased Members of the Armed Forces

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10 U.S.C. 4712 (1985 Supp.  
III)

If unclaimed money cannot be distributed pursuant to the statute's procedures, the summary court-martial entrusted with the funds must transfer them to the executive part of the Department of the Army for transmission to the Soldiers' Home.

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10 U.S.C. 4713 (1985 Supp.  
III)

The Soldiers' Home, upon receipt of the money and effects of the deceased, must attempt to dispose of them in much the same manner as prescribed in 4712. The net proceeds of effects sold and money unclaimed are eventually deposited into the U.S. Treasury to the credit of the Soldiers' Home permanent fund. 10 U.S.C. 4713(d). Any claims for the proceeds must be made within 6 years of the service member's death. 10 U.S.C. 4713(e).

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10 U.S.C. 9712 and 9713  
(1985 Supp. III)

Same provisions as 10 U.S.C. 4712 and 4713, except they relate to persons under Air Force jurisdiction.

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# Request Letter From Senator Orrin G. Hatch

JOSEPH R. BIDEN, JR., DELAWARE, CHAIRMAN  
EDWARD M. KENNEDY, MASSACHUSETTS  
ROBERT C. BYRD, WEST VIRGINIA  
HOWARD M. METZENBAUM, OHIO  
DENNIS DECONCINI, ARIZONA  
PATRICK J. LEAHY, VERMONT  
HOWELL HEFLIN, ALABAMA  
" S' 'ON, ILLINOIS

STROM THURMOND, SOUTH CAROLINA  
ORRIN G. HATCH, UTAH  
ALAN K. SIMPSON, WYOMING  
CHARLES E. GRASSLEY, IOWA  
ARLEN SPECTER, PENNSYLVANIA  
GORDON J. HUMPHREY, NEW HAMPSHIRE

MARK H. GITENSTEIN, CHIEF COUNSEL  
DIANA HUFFMAN, STAFF DIRECTOR  
TERRY L. WOOTEN, MINORITY CHIEF COUNSEL  
R. J. DUKE SHORT, MINORITY STAFF DIRECTOR

## United States Senate

COMMITTEE ON THE JUDICIARY  
WASHINGTON, DC 205 10-6275

March 4, 1988

The Honorable Charles A. Bowsher  
Comptroller General of the United States  
441 G Street N.W.  
Washington, D.C. 20548

Dear Mr. Bowsher:

On August 6, 1987, I introduced S. 1612, the Unclaimed Property Act of 1987, a bill to provide for the disposition of unclaimed property in the custody of the United States. The bill provides for the transfer to the states of all unclaimed property in the custody of each Federal agency.

At this time, in order to assess the impact of the bill, I would respectfully request an investigation by your office of the accounts of the federal agencies that include unclaimed property (i.e. uncashed checks, unredeemed bonds, unclaimed deposits, etc.) paid to citizens who have never cashed or redeemed same. The following are a few of the sources of unclaimed property of which I am aware, but I suspect there are several more, and this list is not meant to be exhaustive.

- U.S. Dept. of Housing and Urban Development  
(Distributive shares or a one-time mortgage insurance premium)
- U.S. Bureau of the Public Debt  
(U.S. Savings Bonds - face value and redemption value)
- U.S. Dept. of Labor  
(Unclaimed wages)
- U.S. Postal Service  
(Uncashed postal money orders)
- Office of Personnel Management  
(Unclaimed federal retirement contributions - Civil Service retirement)

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# Statutes Excluded From the Proposed Legislation

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## Disposition of Unclaimed Property of Deceased Members of the Armed Forces

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10 U.S.C. 2575

Authorizes the Secretary of any military department and the Secretary of Transportation to dispose of all lost, abandoned or unclaimed personal property which comes into the custody or control of the department. Section 2575 specifically excludes other provisions of law dealing with the effects of deceased service members (10 U.S.C. 4712, 4713, 6522, 9712, and 9713). Thus, these statutes would be superceded by the proposed legislation.

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## Social Security Administration

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42 U.S.C. 401(m) (Supp. I 1983) (The Social Security Act)

The proceeds of all checks for benefits issued under title II of the act which remain unnegotiated after 6 months shall be transferred from the general fund of the Treasury to the Federal Old Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund, to the extent provided in advance in appropriation acts.

When loans are terminated, the financial institution that owns the loan is to notify FHA which would then calculate any refund owed. Next, FHA sends a claim form to the former borrower at the forwarding address supplied by the lender. If the claim forms are returned to HUD as undeliverable, HUD sends a letter to the current occupant of the property to request a forwarding address for the former homeowner.

If prior owners cannot be located in this manner, FHA has several options. Its procedures call for first initiating computer match programs of its address and social security number data with U.S. Postal Service data for homeowner moves and forwarding addresses. If that is not successful, it will match the data with IRS taxpayer address data and commercial credit bureau and locator services address data.

As a last resort, unpaid account information may be released—2 years after the loan was repaid—to third party tracer firms who frequently request such information under the Freedom of Information Act. These companies or individuals are in business to locate owners for a percentage of the available refund.

In response to program evaluations and congressional interest during 1980, HUD initiated efforts to do a better job of returning premium refunds. In 1981, it required lenders to notify borrowers that they may be eligible to receive premium refunds when their loans are repaid. Further, during 1982, the agency required that the borrower's social security number be provided on all requests for termination of insurance.

According to HUD officials, the agency had \$900 million in unpaid premium refunds for the period January 1, 1976, through July 31, 1987. Through the above initiatives to secure current addresses and social security numbers, this amount was reduced by about 82 percent to approximately \$159 million by December 1988. Agency officials also told us that HUD had fully automated the mortgage insurance program during 1987. They said that during 1988, the agency was able to locate and pay 92 percent of the premium refunds which became due during fiscal year 1987 and about 71 percent of those which became due during 1988. They told us they anticipated even better performance during 1989.

**Appendix III**  
**Request Letter From Senator Orrin G. Hatch**

Federal Courts Administration  
(Unclaimed U.S. Court deposits)

Department of Energy  
(Oil company surcharge refunds)

Internal Revenue Service  
(Uncashed tax refund checks)

Under its provisions, the bill would "reach back" over a five year period, so I will need a breakdown of these accounts since 1983.

If you have any questions regarding this request, please contact Mr. Kay Morrell, on my staff, at 224-7703. Your prompt attention to this matter is greatly appreciated.

Sincerely,



Orrin G. Hatch  
United States Senator

OGH:kam

# Request Letter From Representative Larry E. Craig

LARRY E. CRAIG  
1ST DISTRICT IDAHO  
COMMITTEE ON INTERIOR  
AND INSULAR AFFAIRS  
SUBCOMMITTEE  
MINING AND NATURAL RESOURCES  
(VICE CHAIRMAN)  
ENERGY AND THE ENVIRONMENT  
WATER AND POWER RESOURCES  
PUBLIC LANDS  
COMMITTEE ON  
GOVERNMENT OPERATIONS  
SUBCOMMITTEE  
COMMERCE, CONSUMER, AND  
MONETARY AFFAIRS  
(VICE CHAIRMAN)  
COMMITTEE ON STANDARDS  
OF OFFICIAL CONDUCT



88-75-20  
**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

May 3, 1988

WASHINGTON OFFICE  
1034 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515  
(202) 225-6611  
DISTRICT OFFICES  
304 NORTH 8TH, ROOM 136  
P.O. BOX 1406  
BOISE, ID 83701  
(208) 342-7985  
301 D STREET, SUITE 103  
LEWISTON, ID 83501  
(208) 743-0792  
103 NORTH 4TH  
COEUR D'ALENE, ID 83814  
(208) 667-6130

The Honorable Charles A. Bowsher  
Comptroller General of the United States  
441 G Street N.W.  
Washington, D.C. 20548

Dear Mr. Bowsher:

On March 30, 1988 I introduced H.R. 4298, the "Unclaimed Property Act of 1988," a bill to provide for the disposition of certain unclaimed intangible property in the custody of the Federal government. The bill provides for the identification and transfer to the states of all such unclaimed property in the custody of Federal agencies.

In order to assess the impact of the bill, I would appreciate it if your office would review Federal agency accounts which include property paid, or payable, to citizens who have never cashed, redeemed, or otherwise claimed this property. Examples of such unclaimed property are uncashed checks, uncashed postal money orders, unredeemed U.S. savings bonds, unclaimed wages, unclaimed Federal retirement contributions, uncashed tax refunds, and undistributed share dividends or refunds of a portion of premiums collected from mortgagors participating in certain Federal mortgage insurance programs.

Under its provisions, the bill would "reach back" over a 5-year period, so a breakdown of the unclaimed property included in Federal agency accounts for each of the last 5 years would be helpful.

If you have any questions regarding this request, please contact Gordon Hale of my staff at 225-6611. Please keep us advised of the progress you are making in this review.

Sincerely,

Larry E. Craig  
Ranking Minority Member  
Government Operations Subcommittee  
on Commerce, Consumer and  
Monetary Affairs



# Comments From the Office of Management and Budget

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

April 18, 1989

Mr. Frederick D. Wolf  
Assistant Comptroller General  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Wolf:

Thank you for the opportunity to review the draft GAO report on the proposed Unclaimed Property Act (S. 1612 and H.R. 4298).

We found the draft GAO report informative and note that it contains no recommendation. We believe the report should point out that S. 1612 and H.R. 4298 would, in effect, establish a new Federal entitlement program for states that would provide back-door financing (i.e., funding outside the regular appropriations process labelled as an escheat of unclaimed property). Such a funding mechanism would be subject to a point of order under section 401 of the Congressional Budget Act of 1974, as amended.

We are also deeply concerned about the potential impact of these bills on agency resources. Given the high administrative cost of identifying and tracking the unpaid claims cited in Chapter 2 and the uncertain amount that might be returned to states, OMB agrees with GAO that the bills may hinder deficit reduction efforts.

We believe Congress has already set out its views on escheat in the number of existing laws that protect Federal programs from escheat. We oppose legislation that would subject Federal programs to the principles of escheat.

Please let me know if you have any questions about these views.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank Hodsohl".

Frank Hodsohl  
Executive Associate Director

See comment 1.

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**Appendix V  
Comments From the Office of Management  
and Budget**

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The following are GAO's comments on the Office of Management and Budget's letter dated April 18, 1989.

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**GAO Comments**

1. Discussed in agency comment sections of executive summary and chapter 4.



# Comments From the Office of Personnel Management

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States  
**Office of  
Personnel Management**

Washington, D.C. 20415

In Reply Refer To

Your Reference

Mr. Frederick D. Wolf  
Assistant Comptroller General  
United States General Accounting Office  
Washington, D.C. 20548

APR 17 1989

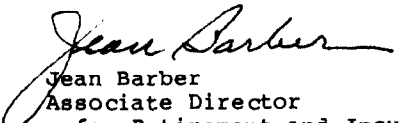
Dear Mr. Wolf:

Thank you for the opportunity to review the draft GAO report on the Unclaimed Property Act. The Office of Personnel Management opposes the proposals to transfer to States the unclaimed money in our benefit programs.

The Civil Service Retirement and Disability Fund was established by Congress to pay statutory benefits to former Federal employees and their survivors. It is inappropriate to pay unclaimed benefits to States. Benefits may be claimed, and become payable, long after employees leave service or die. In addition to the fact that the proposals would give rise to a significant administrative burden, draining resources away from productive work, the Fund, rather than the States, should retain unclaimed money until it is paid to an eventual applicant who qualifies for benefits, or to help meet the basic objective for which the Fund was established.

Thank you again for the opportunity to comment.

Sincerely,

  
Jean Barber  
Associate Director  
for Retirement and Insurance

See comment 1.

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**Appendix VI  
Comments From the Office of  
Personnel Management**

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The following are GAO's comments on the Office of Personnel Management's letter dated April 17, 1989.

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**GAO Comments**

1. Discussed in agency comment sections of executive summary and chapter 4.

# Comments From the U.S. Postal Service

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



THE POSTMASTER GENERAL  
Washington, D C 20260-0010

April 14, 1989

Dear Mr. Wolf:

This refers to your draft report entitled UNCLAIMED MONEY: Impact of S.1612 and H.R. 4298, The Unclaimed Property Act, on which you requested our comments.

The report provides a useful review of the impact that the proposed Unclaimed Property Act would have on federal costs and programs, on existing statutes and on the federal deficit, but there are a few points we would like to clarify regarding postal money orders.

Page 33 of the report says missing data makes it difficult to return money orders to the owner. The data referred to are the name and address of the purchaser. These data are not missing in the sense of being lost or omitted. We simply do not collect such data. Without the name and address of the owner, it is not just difficult to return money orders, it is impossible.

The same page says the Postal Service honors postal money orders whenever they are presented for payment. This is not just a courtesy. Postal money orders are honored in perpetuity because they do not contain any payment time limit.

Page 44 correctly points out that the Postal Service currently uses revenues realized from uncashed money orders to reduce its charge for money orders. However, the report then goes on to say that escheating such funds to the states could result in higher charges to purchasers or "using postal revenues from other sources" to finance money orders. The quoted alternative is incorrect. Under the law we cannot cross subsidize services or classes of mail. Each must cover its attributable costs and make a contribution to defray those Postal Service costs that are not attributable to any particular service or class of mail.

Escheating uncashed money order funds to the states would result in higher money order fees that could impose a substantial hardship on many users, particularly the poor. Money orders are popular with poor people because many of them do not have checking accounts.

See comment 1. Now on p. 27.

See comment 1. Now on p. 35.

- 2 -

We appreciate your giving us an opportunity to comment on your draft.

Sincerely,



Anthony M. Frank

Mr. Frederick D. Wolf  
Assistant Comptroller General  
United States General  
Accounting Office  
Washington, D.C. 20548-0001

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The following are GAO's comments on the U.S. Postal Service's letter dated April 14, 1989.

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**GAO Comments**

1. The report has been amended to reflect USPS' stated position. The overall agency position is discussed in the agency comment sections of the executive summary and chapter 4.

# Comments From the Department of Housing and Urban Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-3000

April 13, 1989

OFFICE OF THE ASSISTANT SECRETARY  
FOR ADMINISTRATION

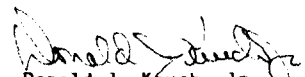
Mr. Frederick D. Wolf  
Assistant Comptroller General  
General Accounting Office  
Washington, DC 20548

Dear Mr. Wolf:

This is in response to your request for comments on the draft GAO report entitled, "Unclaimed Money: Impact of S. 1612 and H.R. 4298 - The Unclaimed Property Act" (GAO/AFMD-89-44). We have reviewed the report and believe that those portions pertaining to the Department's FHA mortgage insurance refunds fairly represent our efforts. Since the report contains no recommendations, we have no additional comments at this time.

Thank you very much for the opportunity to comment on the draft report.

Very sincerely yours,

  
Donald J. Keuch, Jr.  
Deputy Assistant Secretary

See comment 1.

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**Appendix VIII  
Comments From the Department of Housing  
and Urban Development**

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The following are GAO's comments on the Department of Housing and Urban Development's letter dated April 13, 1989.

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**GAO Comments**

1. Discussed in the agency comments section of chapter 4.

# Comments From the Department of the Treasury

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON

April 25, 1989

Dear Mr. Wolf:

Secretary Brady has asked that I respond to your letter of March 17, 1989 concerning your draft report entitled "Unclaimed Money: Impact of S. 1612 and H.R. 4298, The Unclaimed Property Act."

The proposed bills would require Federal agencies to turn over to the states any amounts agencies cannot return to owners, such as undelivered tax refund checks or unredeemed savings bonds. Because of the significant impact that the proposed legislation would have on the Internal Revenue Service and the Bureau of the Public Debt, we asked those bureaus to provide comments on your draft report. Also, as the report presumes that the Treasury's Financial Management Service (FMS) would be the proper place for central administration of the program, we requested FMS to review and comment on the appropriateness of such a role.

See comment 1.

The Treasury bureaus have raised many technical, legal, and operational issues concerning the implementation of such a program. The issues raised by the bureaus are of such significance that it is important that they be considered in their entirety. I am, therefore, enclosing copies of the comments provided by the three bureaus on the relevant provisions of the report.

See comment 2.

In summary, the Department strongly opposes the efforts to enact legislation to turn over to the states undelivered funds in the custody of the Federal agencies. Your report raises several concerns related to the legislative proposals, such as the conflict with existing escheat laws, and the cost and lack of funding to administer the program. We agree with the concerns that you have raised. In addition, I wish to state that the Treasury has and continues to oppose efforts by state governments to obtain undelivered tax refund checks on the grounds of the Federal Government's sovereign immunity. It is important to note that the 100th Congress enacted legislation to expressly prohibit states from escheating refunds of Federal taxes. The Department is also strongly opposed to turning over to the states the savings bonds and other securities of the Bureau of the Public Debt on the basis of the legal policy issues and technical arguments raised in the enclosed memorandum from the Commissioner of the Public Debt, dated March 31, 1989. It is essential that these and the other concerns raised in the bureaus' memoranda be addressed in your final report.



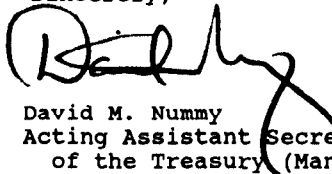
Appendix IX  
Comments From the Department of  
the Treasury

- 2 -

Further, your report draws the conclusion that Treasury, most likely FMS, would be the appropriate place to centrally administer this program "because it handles most fiscal matters." Page 48 of your report also indicates that "Treasury officials acknowledge ... that such a responsibility would, by default, probably be best handled at Treasury." I wish to state for the record that the Department does not agree that the Treasury would be the proper place to administer the function. The role of consolidating information on unclaimed funds pertaining to each state and coordinating the administration of such a program is not, in our opinion, a logical extension of FMS' central accounting, disbursing, and financial management responsibilities. The Treasury's Fiscal Assistant Secretary and the Commissioner of FMS agree with this position.

We appreciate the opportunity to review and comment on your draft report.

Sincerely,



David M. Nummy  
Acting Assistant Secretary  
of the Treasury (Management)

Mr. Frederick D. Wolf  
Assistant Comptroller General  
U.S. General Accounting Office  
Washington D.C. 20548

Enclosures

See comment 2. Now on p.  
38.

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The following are GAO's comments on the Department of the Treasury's letter dated April 25, 1989.

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## **GAO Comments**

1. We have incorporated the technical and legal points addressed in the auxiliary comments provided by the Bureau of Public Debt, Financial Management Service, and the Internal Revenue Service, as appropriate. We are not including copies of their comments in the report.
2. Discussed in the agency comment sections of the executive summary and chapter 4.

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# Major Contributors to This Report

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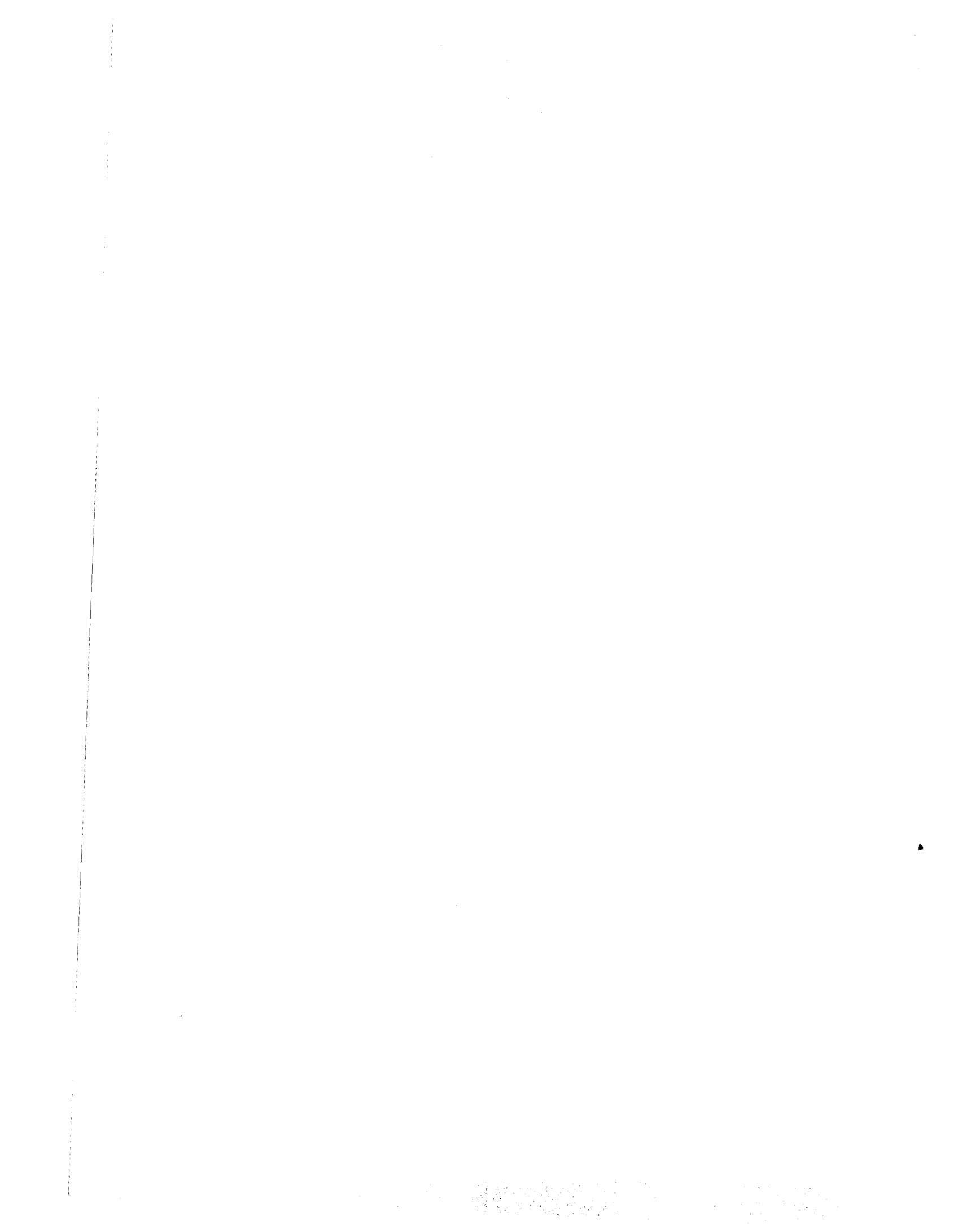
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